



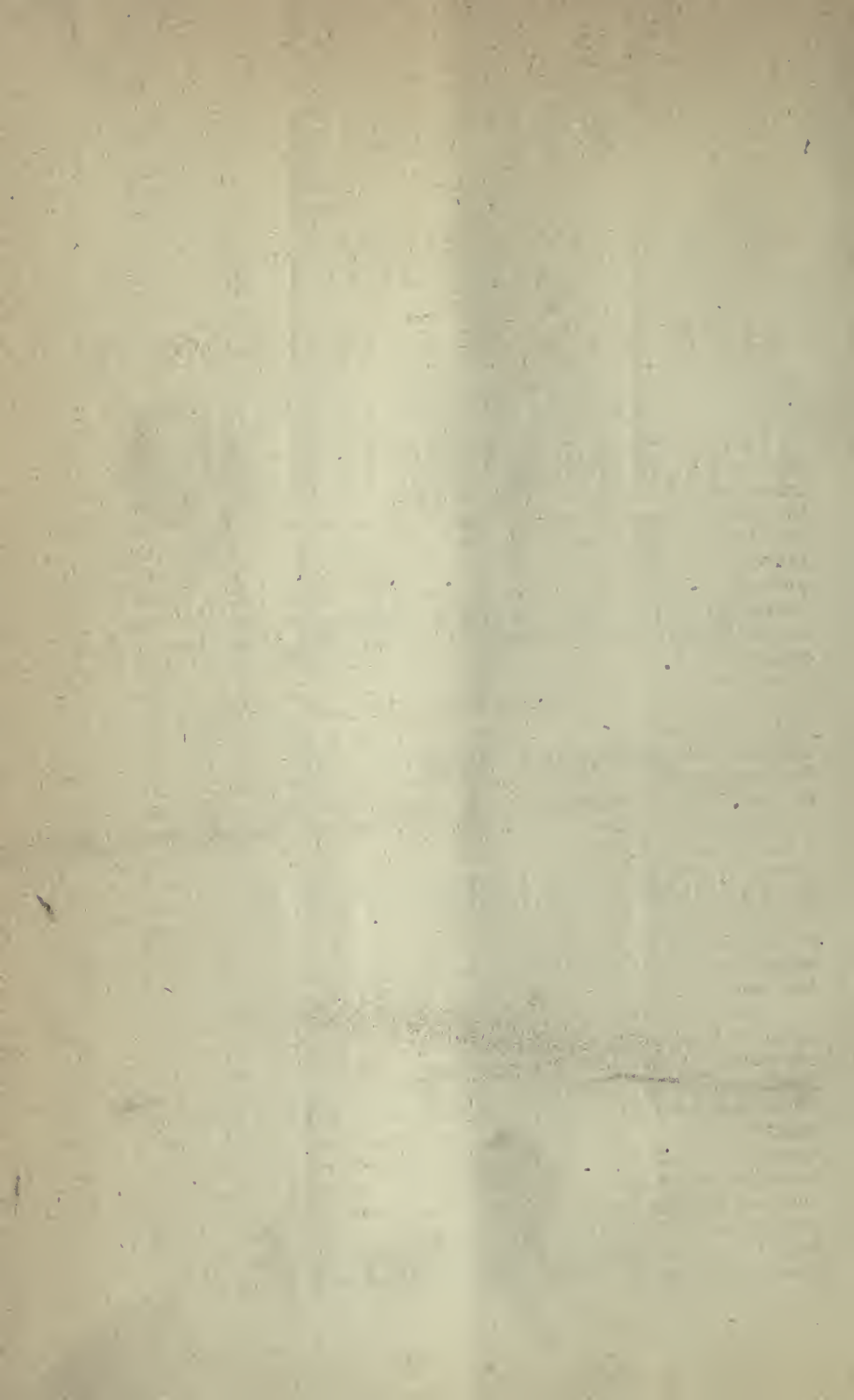
Digitized by the Internet Archive
in 2007 with funding from
Microsoft Corporation

EXTRACT
FROM
THE ARGUMENT
OF
HON. JAMES F. WILSON,
ON THE
Reagan Inter-State Commerce Bill,
DELIVERED BEFORE THE
COMMITTEE ON COMMERCE
OF THE
HOUSE OF REPRESENTATIVES,
JANUARY 20, 1880.



A WESTERN VIEW OF THE QUESTION.

WASHINGTON, D. C.:
NATIONAL REPUBLICAN PRINTING HOUSE.
1880.





REMARKS

OF

HON. JAMES F. WILSON.

MR. CHAIRMAN: I will now proceed to submit a few observations relative to the fourth section of the bill. This section has a knife in it. Its blade is sharp and long. It cuts clear through the railroad corporations and reaches the people, especially those remote from the great market centres. It is hurtful both to the railroad companies and their patrons. It is impracticable, unphilosophical, opposed to the best interests of the country, and strikes the West a fearfully discriminating blow. It is obstructive to sound principles of railroad management. Still, as an abstract proposition, it has a certain attractiveness about it well calculated to mislead many minds. It was once popular in the State in which I reside. The people of Iowa were charmed with the principle embedded in this section. They put it into a law. The railroad companies put it into practice. It produced evil, and only evil, to the greater portion of the State. It needed but to be tried to cause a general demand for its repeal. It was repealed, and the commissioner system enacted in its stead. Here we have a fact. One fact is of greater practical value than a thousand opposing theories. The lesson taught by this fact is that you can't bring a good result out of a bad principle by legislative enactment. Principles have a way of asserting themselves through inevitable results in spite of the statutes of Congress. No matter what the legislative intention may be, a bad principle will produce a bad law, and nothing can prevent it.

Another has well said that the unit of profit in railroad management is a car-wheel in motion, and that the unit of loss is a car-wheel at rest. Each represents a proportionate amount of fixed capital. The fixed capital is the total cost of the road. The wheel in motion is a worker, earning money to pay interest and meet expenses. The wheel at rest earns nothing, and, consequently, increases the burden that the worker carries. Here we have the entire philosophy of successful railroad management, both as regards the corporations themselves and the people and sections of country which they serve. The wheel which carries freight 1,000 miles has more steady employment than the one that traverses ten miles. Therefore it can afford to work for a lower

rate of wages. This means a low rate for a long haul and a higher rate for a short haul. This is the whole story. It discloses the principle that develops regions remote from market, and converts waste places into gardens.

The principle of the low rate for the long haul is the true one. It is the only one through which the advantages of railroad transportation can be equitably distributed. The equitable distribution has made the West what it is, in spite of frequent violations of the principle involved. It has encouraged emigration, opened farms, built towns, created cities, developed States, equalized the values of property, made business for the roads, opened markets for manufactures, and brought prosperity to the people. It is this that makes the Eastern Iowa farm substantially equal in value to that of the Central and Western Illinois farm, and enables the Western Iowa farmer to count the returns from his crops almost equal to those of the one in the eastern section of the State, and still gives him but little advantage over the cultivators of Nebraska fields. It tends to equalize the values of real-estate throughout the State, enhances the price of all products sent East to market, and reduces the cost of all articles carried West for use and consumption. It assures good prices for all Western products, and consequently enhances the prices of the farms from which they are derived. Whatever advantage the West gets from railroad transportation comes through the low rate for the long haul.

It was stated before this committee the other day that flour is carried from St. Paul, Minn., to New York for \$1.15 per barrel, and that in the recent past it cost \$1.20 per barrel to transport it from Buffalo to the same destination. This is the low rate for the long haul. What has it done for Minnesota? Or, rather, what has it not done? See how that State has grown into one of the great wheat-producing sections of the Union! Her merchant mills are equal to any in the world, and are the pride of her people. The flour which they manufacture places the best of bread upon the tables of Europe and South America. The State has been covered with farms, beautified with towns and cities, and filled with population. As it is in that State, so it is in all the West.

Let me here state another important application by the railroad companies of the principle of the low rate for a long haul, which must disappear under the operation of this fourth section should it become a law. Large bodies of the lands in the Western States are possessed by railroad companies through grants made by Congress, to aid in the construction of their lines. The interests of the companies are promoted by rapid disposal of the lands to actual settlers. This develops the country and makes business for the roads. In their efforts to dispose of these lands, and to place settlers upon them, the companies have done more than the States and Nation combined to reach the desired result. Their system of advertising is vast and complete. Their agents

are to be found in every section of this country, and traverse every country in Europe. In every legitimate way they seek to place settlers on the lands, and thus assure the development of the Western States and promote their own interests. One of the means to which they have resort in this regard, is to grant almost nominal rates to purchasers of these lands for the transportation of themselves, their families, their goods, and even their houses from Chicago and other points to their several places of destination. Under this system of encouragement an emigrant is saved a large part of the usual expense attending removal to a new home. An emigrant destined for Nebraska, under this arrangement, can carry with him from Chicago not only his family and his goods but also the materials for his house; or, if he so desires, a house ready to be set up on his newly-purchased land. This must cease under the operation of this bill; for it not only grants the low rate for the long haul in violation of section four, but it also contravenes the non-discriminating clause of the first section of the bill; nor can a remedy be had in the way of a drawback, for that is also prohibited by the bill.

Mr. Chairman: Before legislation of this character is enacted wait until the census of 1880 tells its wondrous story. The annals of mankind will furnish no parallel. Population, wealth, and power will walk hand in hand in a procession that will astonish the world. The West wants no obstacle put in the way of that procession to obstruct its progress. And of all that may be threatened, don't put in its way the one which the fourth section of this bill presents. If legislation for the regulation of inter-State commerce must be had, let it not be of such character as to deprive railroad management of the power to encourage its enlargement, facilitate its movements, and promote its interests. In an attempt to correct alleged abuses in such management, do not establish one by legislative enactment greater than all others.

Who has been wronged by the application of the low rate to the long haul? Has harm come to the East by it? Why, the millions of people of the Western States, who depend on the practice of this rule to get their vast products to the world's markets, are most generous contributors to the prosperity of the East. They are liberal consumers of everything which the East manufactures. The low rate for a long haul of the manufactured articles of the East promotes consumption in the West. This keeps the eastern spindles in motion, and they consume the cotton of the South. It keeps the looms in action, and they use the wool of all sections of the country. It fills the furnaces and forges and roiling-mills with orders. It deepens and extends the mines, and creates a market for the product. It fills manufacturing localities with dense populations, and thus secures to the Eastern agriculturist a home market and good prices for all of the products of his farm. In every way it benefits the East. Does it harm the country at

large? Look at the balance of trade against Europe in our favor. What would it have been but for the enormous crops of the West and the low rate for the long haul which carries them to market? This it was that brought the cattle, sheep, hogs, wheat, flour, corn and other products from the remote West, and sent them abroad to feed the people of the Old World. This it was that largely made up for our balance of trade, and brought home your bonds and gave us the coin of Europe. No such results would have been realized but for the wondrous development of the West, and that development could not have occurred under the fourth section of this bill.

These considerations show that we are dealing with a subject which cannot be confined within the narrow limits of the question put during the discussion which occurred here last Friday: "Is it just to make one man pay more than another for like services?" We are on a broader field than that—one that is filled with problems of public policy, bristling with questions for the political economist, and leading on to the mountain ranges on which statesmen tread. The markets of Europe, which for two years have welcomed our products in such vast quantities, were thrown open by misfortune in a large degree. The seasons were unfavorable, and the crops failed. Should these conditions be changed—as they may be this very year—we must bring other elements into the case, in order to command the markets of Europe. We must enable the people of the West to put their cheap lands and abundant products in successful competition with the producers of Europe, the very principle which the fourth section of this bill forbids. Here is a consideration sufficient of itself to eliminate this subject from the narrow space to which it is consigned by the question I have noticed, and to place it in the broader field and higher position that I have mentioned. We must look beyond the private elements which the case must necessarily embrace and give attention to the public welfare. If this be not the character of our position, why is this question here at all? To say that it is wrong to tax one man for the benefit of another, does not meet the case at all. It may seem wrong to charge one man \$40 for hauling a car load of freight 250 miles, and another only \$100 for transporting a car load of the same kind of freight 1,000 miles. But when the public interests require that both loads go to market the case assumes a very different aspect. It no longer presents a question in which the private shippers and the railroad companies are alone parties in interest. If these cars are to pass from one State to another the freight which they carry becomes a part of the commerce among the States, and, in common with all other property thereunto belonging, may, in case of obstruction, whether by States, railroad companies, or other causes, call into action the regulative power of Congress. It is charged that obstructions do exist. Hence, the question is here.

It has no right to be here until it has become more than a question of the private rights and wrongs of individuals. It must concern the public, and round up into proportions large enough to demand the interposition of a public policy. Questions of abstract private wrongs must, in a thousand ways, yield to the inevitable inequalities which result from organized society. "The greatest good to the greatest number," one of the accepted political axioms of this country, implies evil to the few. Until this subject has been taken out of the field of discussion of abstract private right, it is not entitled to a presence here. This is the reason why I cannot treat this question as one concerning merely the railroad companies that I represent here and their private patrons. When these companies with their roads and the patrons with their freight come together, they put commerce in motion, and a public interest is developed. Now, when this occurs, the inevitable inequalities which may arise in course of conducting it properly, and in the public interest must be tolerated, as they are in thousands of other cases in organized society, in order that the public welfare may be maintained and the greatest good to the greatest number promoted. The low rate for the long haul is one of the things which arise from these conditions, and sound public policy demands that it be endured.

But this, it is said, is taxing shippers for local markets and the buyers in them to make up deficiencies resulting from the low rate for the long haul. In a certain sense this is true; but in another and more practical sense it is not true. The shipper who pays the relatively high rate for the short haul can still sell his products in the local market at as low a price as can the shipper who pays the low rate for the long haul, and make a better profit. Other conditions being equal, the amount of money in fact paid for the transportation determines this. One hundred dollars per car for one thousand miles may be a low rate, and forty dollars per car for two hundred and fifty miles may, by comparison, seem a high rate. But other conditions being equal, the forty-dollar freight, notwithstanding the seeming inequality, or discrimination, if it be so called, yields its owner the best return in the market. Why should he complain, or why should anybody complain for him? Taking the forty-dollar rate as the basis for fixing a rate for the thousand mile carriage might result in an absorption of the entire value of the freight, or keeping it away from the market altogether. Now which is the hard rule? The one which lets both shippers into the market, or the other, which lets one in at a profit and shuts the other out? The latter is the one which the fourth section of this bill presents to the remote sections of the country. If the former rule taxes one man for the benefit of another, what does this one do? Which rule will most conserve the public interests? Which one ought to be maintained—the one which gives both men a chance, or the one which protects one

and crushes the other? The latter destroys competition and establishes monopoly by operation of law. In our endeavors to get rid of one form of inequality, are we not in great danger of establishing one of great enormity? And if we insist on a complete eradication of all inequalities of taxation and other burdens incidental to government, business, trade, and commerce, would we have much left at the end of the process? How would it be with our public charities? Those for whose benefit they are established contribute nothing to their support. How would it be with our public schools? They are in no inconsiderable part maintained by taxation of property of persons who have no children to be educated for the education of the children of others who have no property to be taxed. Some of the States yield a net revenue to the Government from the postal service. Others fall far short of paying the cost of the service. How would the people of the non-paying States like to be deprived of the service on that account? And yet what is a continuance of these conditions but the taxing of those who do pay for the benefit of those who do not? And so I might go the rounds of a hundred illustrations quite as pertinent as these. The reasoning which supports the principle of section four and justifies legislation in support of it, would apply a repressive remedy in the other cases. The principle is unsound as an element in a commercial code. The West and other remote sections of the country cannot afford to have it applied to transportation by rail.

I know that it is said section four will not interfere with the application of the low rate to the long haul. I accept the statement of the author of the bill that the section was not designed to forbid the application of that rule, and that under it the railroad companies may charge as low a rate as they please for a long haul, provided they do not exceed the aggregate of that rate for a shorter distance. This may have been the intention of the author of the bill, but such is not the effect of the section as I understand it. A faithful administration of the section by the railroad companies would show that I am not mistaken. As I have already stated, the principle on which the section is based was tried in the West. It was most unsatisfactory in practice and result, and no repetition of that experience is desired in that quarter.

But suppose the other construction of the section be the correct one. What follows? Why, the legalization by act of Congress of a monstrous wrong in railroad management. Let me illustrate this. Suppose the greater distance over which a car load of freight is to be carried is 1,000 miles, and the rate \$100. Another car load of the same kind of freight is to be moved over the line a shorter distance of fifty miles; can \$100 be charged for that also? Undoubtedly this can be done under the construction of the section given by its author. Whatever is charged for the greater distance may likewise be put upon the shorter haul. If

\$150 be charged for 1,000 miles, the same amount may be charged for 25 miles. And this is to have the sanction of law! Should a law be enacted which would permit so great an enormity as this? One or the other of these constructions must be given to the section: Either it prohibits a low rate for a long haul, or it authorizes an exorbitant rate for a short haul. Now, which shall it be? Is this committee prepared to say that it shall be either the one or the other? If my construction of the section is correct, how are Members representing Western constituencies to justify their action in supporting it? If the other construction be the correct one, how are Eastern and Middle State constituencies to be satisfied? Turn it which way you will, how is anybody to be satisfied with the section? Is it wise to do this thing? Is it not a case in which it is best to make haste slowly?

If section four should be given the force of law and receive the construction which I have, with others who have addressed the committee, given to it, it may be asked, "Will the railroad companies be so unwise as to destroy the great business from and to the West?" Certainly not, so far as they have any election in the premises by which they can foster that business. But they could do but little in the way of aiding the West. They will do the best they can. But that best must be repressive and depressive in the West. The people are there, and they must stay. They will go on planting and harvesting and sending to market, but the cost of transportation will eat out their substance. A check will be put upon the development of that section, now going on so rapidly and satisfactorily. Prices of both land and products must recede. What high rents are to the people of Ireland, the rates under section four will be to the people of the Western States. Low rates of transportation are like low rents. Those who pay them can prosper. High rates of transportation, like high rents, foster discontent and distress. This will be the mission of section four should Congress give it the force of law. Its enactment certainly is another of the things that ought not to be done concerning commerce between the States.

Mr. Chairman: I need not say that I do not entertain the belief that this committee entertains any purpose to do injustice to the railroad companies, or to treat harshly the interests of the people who live in sections of the country remote from the centres of market. I doubt not that out of the agitation of the grave question which you are considering good will come. But I do not believe that it can come through this bill. What though the problem of transportation be not at once solved? Suppose the process of its solution should seem slow? Better this than harmful legislation. You can't afford to make so great a mistake as would be the enactment of the bill now under consideration here. A measure which would commit this great subject to a commission of competent men for thorough investigation and report as to

what is best to be done, would be, it seems to me, a wiser course of action than the enactment of this bill. Already good has come from the consideration and discussion of the transportation question. This will continue. No fear need be entertained that matters will grow worse while a commission is acting. The tendency will be the other way. It will lead to wise action and permanent results.

